

Agenda Date: August 12, 2021

Prepared By: Maria Swan, Administrative & Fiscal Officer II

Topic: Final Budget Fiscal Year 2021-22 Public Hearing and Approval

Action Requested:

- 1) Conduct a Public Hearing for the purpose of reviewing the District's Fiscal Year (FY) 2021-22 Proposed Final Budget.
- 2) Adopt Resolution #21-07 (Attachment #1), thereby approving the District's budget for FY 2021-22.

Discussion: The District FY 2021-22 Proposed Final Budget includes an increase in fund balance carry over at the program and fund levels, but otherwise is comparable to previous District budgets. District management continues to conservatively estimate revenues and project expenditures that are adequate to cover costs and provide contingency funds for unforeseen events. The FY 2021-22 proposed revenue budget in the amount of **\$8,064,210** is a 31% increase (\$1,907,034) over the approved FY 2020-21 revenue budget in the amount of \$6,157,176. The estimated FY 2021-22 fund balance in the amount of **\$6,831,796** is an increase of 18% over the previous FY 2020-21 fund balance in the amount of \$5,774,097. The proposed FY 2021-22 expense budget of \$10,916,709 is a 30% increase (\$2,543,345) over the approved FY 2020-21 expense budget in the amount of \$8,373,364. The total FY 2021-22 Proposed Final Budget is **\$14,896,006** which is a 25% increase over the FY 2020-21 approved budget.

The District offers the following analysis of the differences between the FY 2021-22 Proposed Final Budget and the FY 2020-21 Approved Budget.

Proposed Revenue: The proposed estimated revenue for FY 2021-22 is \$8,064,210 and the estimated fund balance for FY 2021-22 is \$6,831,796 for a Total Revenue amount of \$14,896,006. District revenue is comprised of:

- \$4,162,095 in state revenue from motor vehicle tax and grant funding from the Carl Moyer Clean Air Grants;
- \$1,075,000 in estimated permit fees;
- \$316,068 from burn, land, and other permit fees;
- \$102,315 in federal revenue;
- \$111,211 in other government revenue,
- \$205,164 in Per Capita Assessment,
- \$2,011,917 in mitigation fees, and;
- \$80,441 in rental income, interest and miscellaneous revenue.

The increase in revenue from the FY 2020-21 approved budget to the FY 2021-22 Proposed Final Budget represents additional revenue from mitigation fees, previously approved permit fee assessments and settlement fees. The FY 2021-22 Proposed Final Budget also includes

technical modifications to the District's budget process. The total amount of obligated funds will be reported within budgeted line items by program and ledger codes. This process meets the standards for proper reporting of obligations as found in section 1501(a) of title 31 of the *United States Code*.

Proposed Expenditures: The proposed estimated expenses for FY 2021-22 are \$10,916,709. District expenses are comprised of:

- \$3,560,022 in salaries and wages;
- \$5,565,889 in Clean Air Grants and Incentive Programs;
- \$1,118,797 in services and supplies;
- \$82,000 in capital assets;
- \$50,000 for building purchase payback;
- \$40,000 for building operations and maintenance, and;
- \$500,000 for contingencies.

The estimated expenses for FY 2021-22 are a 30% increase (\$2,543,345) over the approved expenses from FY 2020-21. This increase is reflected in five categories of expenditures: 1.) Mitigation Fees 2.) Settlement Fees Payment 3.) Capital Assets 4.) Clean Air Grants & Incentives Programs. 5.) Building Operations & Maintenance Expenditures within the other categories remain consistent with prior year budgets.

The District anticipates filling two of the three vacant full-time positions in FY 2021-22 to account for an increasing workload and to assist with the implementation of new programs. These two positions are fully funded, so expenditures will not increase. We do anticipate a savings in contracted services the District utilizes for legal expertise, information technology and professional services.

Included in the enclosed Proposed Final Budget are the District's FY 21-22 goals for each District Section (pages 6-20). These District goals are linked to the District's Mission Statement (pages 4-5).

As part of its Approved Budget for FY 2020-21, the Board deferred, by one year, fee increases approved in 2018. The Proposed Final Budget would reinstate the fee increase schedule, resulting in a general fee increase of 8% for FY 2021-22.

Future FY Budgets: In developing the Proposed Final Budget for FY 2021-22, Staff has evaluated potential impacts of the current economic climate on future year budgets. This includes potential changes in monies received from the State for operational and clean air incentive programs, as well as changes in permit and enforcement revenues. While not a likely scenario for the upcoming FY, as the State has a very significant budget surplus, Staff have conservatively evaluated budget scenarios that would reduce State revenues, as well as eliminate funding for clean air programs. Even under these potential future scenarios, Staff is confident that the District will be able to maintain fiscal solvency and continue to conduct its statutory and regulatory obligations. Staff are prepared to quickly respond to changing budget environments, should they be necessary. Potential responses include identifying options for salary savings (such as continuing to unfill vacant positions), cutting operational expenses,

delaying planned investments (such as PARS contributions), and utilizing reserve funds. Staff will continue to regularly provide your Board information on the status of the District's budget, and if any changes are needed.

Fiscal Impact: The District Proposed Final Budget for FY 2021-22 balances total revenues and total expenses:

Anticipated Revenue of \$8,064,210 for FY 2021-22, combined with the total estimated Fund Balance of \$6,831,796 from FY 2020-21; provides revenue in the amount of **\$14,896,006**.

The total proposed expenses of \$10,916,709 for FY 2021-22, plus the estimated carry-forward Fund Balance of \$3,979,297 into FY 2022-23, equals total expenses in the amount of **\$14,896,006**.

The Proposed Final Budget for FY 2021-22 covers operational costs, maintains services and program delivery, and provides for selected critical resource needs. It also maintains an Operations Fund Balance of \$1,032,227, which is 9.5% of the total Proposed Expense Budget of \$10,916,709.

Recommendation: The Placer County Air Pollution Control District has complied with the Health and Safety Code 40131 (3) (A) and 40131 (3) (B) in regard to the adoption of a board approved budget, therefore it is recommended that the Board adopt Resolution #21-07, thereby approving the District's budget for Fiscal Year 2021-22.

Enclosure: Proposed Final Budget FY 2021-22

Attachment:

- #1: Resolution #21-07 for approval of the Proposed FY 2021-22 Final Budget
- #2: Pie Chart for the Proposed FY 2021-22 Final Budget

ATTACHMENT #1

SUBJECT:

Resolution #21-07
Approval of the Proposed FY 2021-22 Final Budget

ATTACHMENT #2

SUBJECT:

Pie Chart for the Proposed FY 2021-22 Final Budget